

Upper San Diego River Improvement Project (USD RIP)

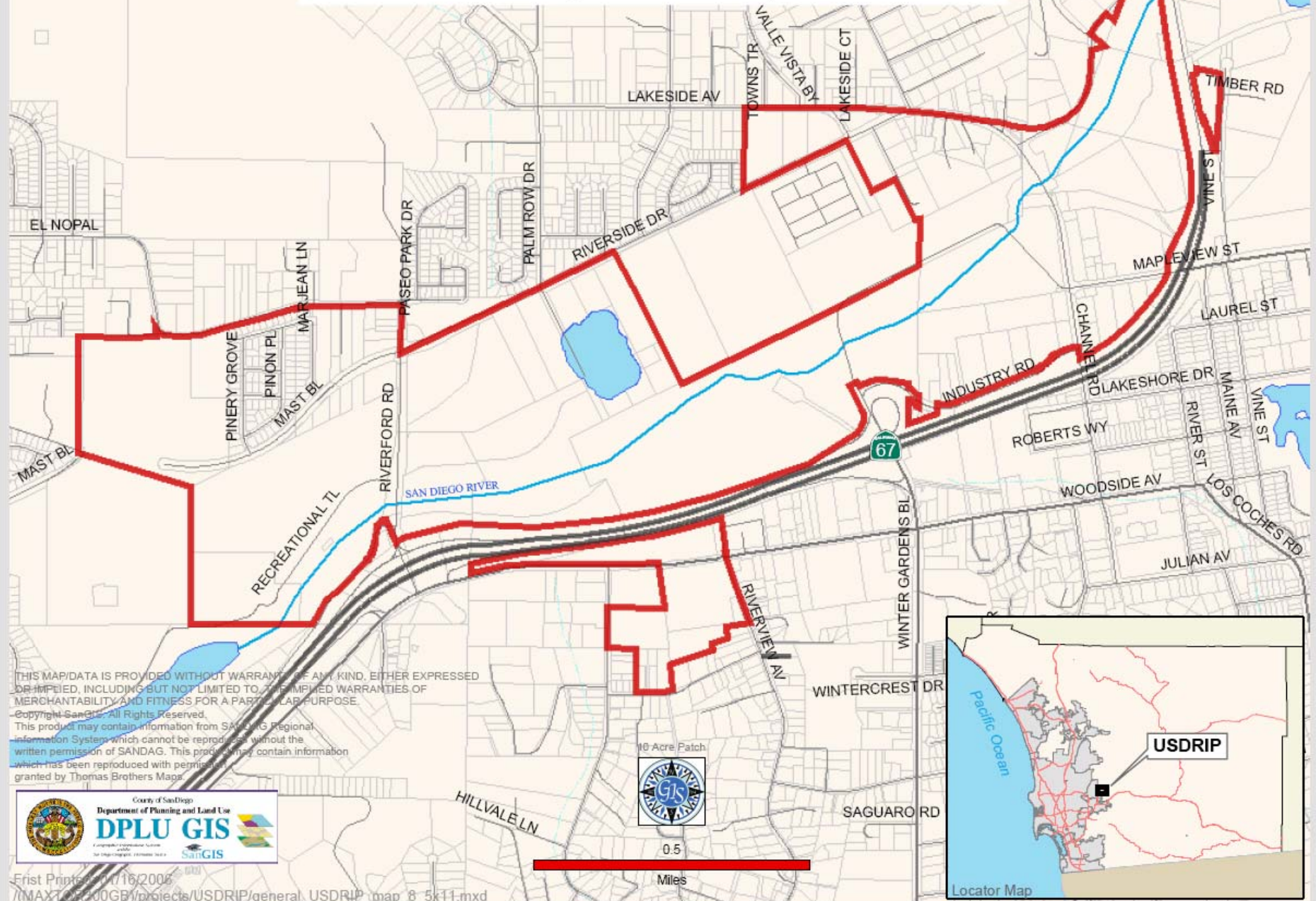
February 26, 2007



What is USDRIP?

- Redevelopment Project Area
- Established in 1989 by Board of Supervisors
- Oversight - County of San Diego Redevelopment Agency
- Covers 529 acres

Upper San Diego River Improvement Project Project Area Map



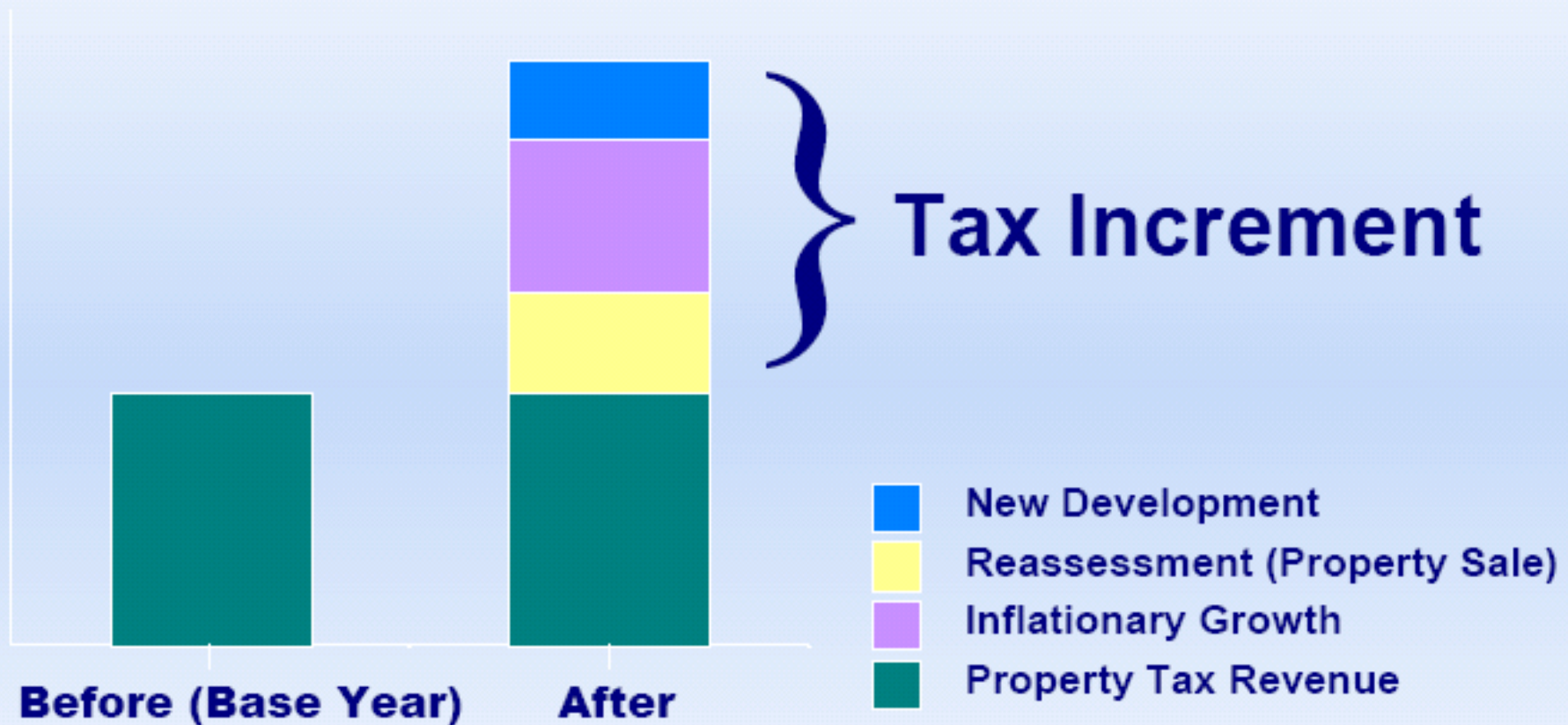
Why USDRIP?

- Address abandoned sand mining operations, flooding problems, odd lot configurations, and infrastructure
- Eliminate blight, flood control and environmental protection, new employment and recreation.


Redevelopment Basics

- State of California law
- Aid local governments in improving areas of physical blight or economic distress
- Redirects property tax monies (tax increment) to the redevelopment agency for reinvestment in the project area

What is Tax Increment?



Where do Property Taxes Go?

- County General Fund
 - Lakeside Union School District
 - Lakeside Fire Protection District
 - Grossmont Union High School District
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- ~80%
- Grossmont/Cuyamaca Community College District
 - County Library
 - Padre Dam Municipal Water District
 - County School Services
 - Grossmont Health Care Service
 - Several Others

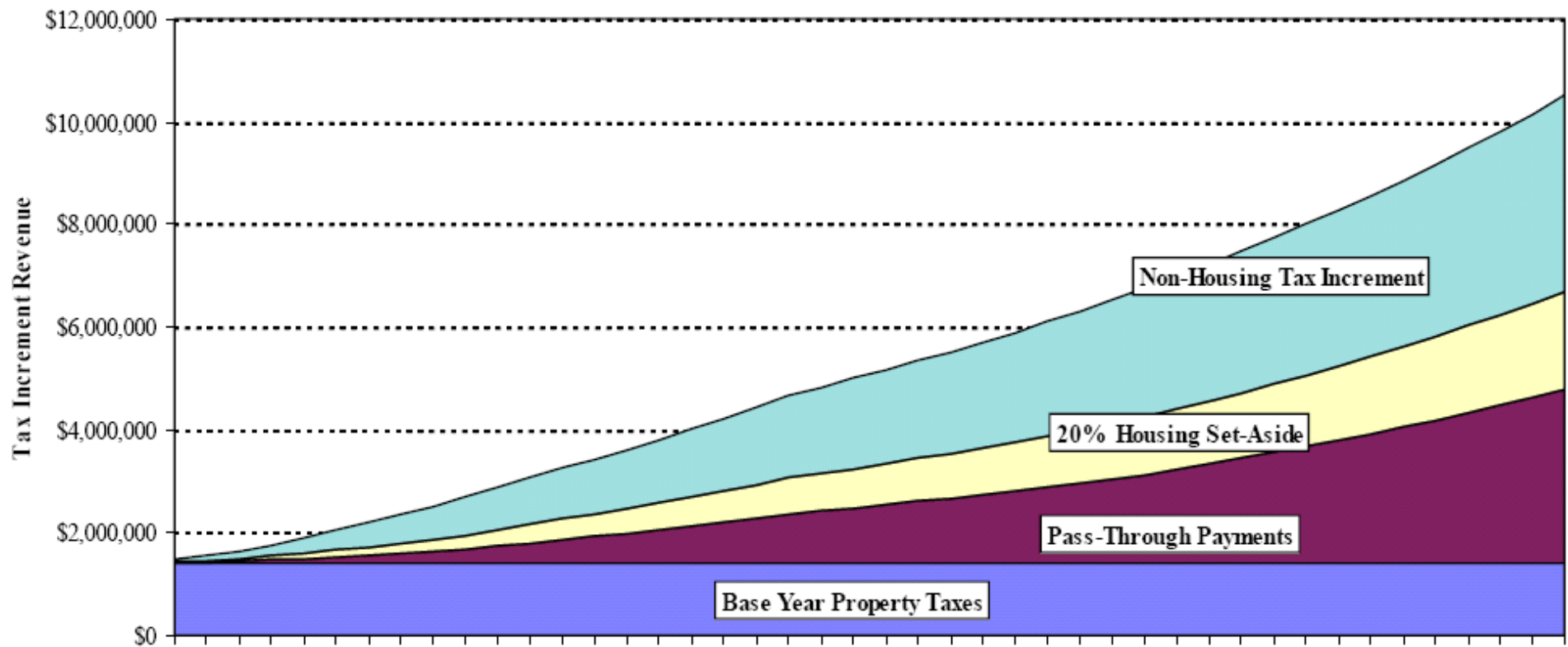
Where does Tax Increment Go?

- Pass Through Payments
 - Lakeside Union School District
 - Grossmont Union High School District
- 20% Housing Set Aside
 - Administered by HCD
 - Affordable Housing Programs
- Remaining Tax Increment (Redevelopment Agency)
 - Repayment of Debt from Projects
 - Administration

MUST HAVE DEBT TO RECEIVE INCREMENT

Where Does Tax Increment Go?

Property Tax Distribution



Past USDRIP Projects

- RiverWay Specific Plan and EIR
- Public Facilities Financing Plan
- Habitat Management Plan
- San Diego River Flood Control Plan and Profile
- Amendments to Plans and EIR in 2000
- Trails Master Plan

Current USDRIP Status

- No ongoing projects
- No debt payments – No tax increment
- Ability to incur debt will end in 2009 unless extended

Why are we here?

- What should we do next?
- Ongoing dialogue for numerous years
- Opposing opinions within USDRIC – Advisory Committee for USDRIP
- Keyser Marston Associates (KMA) performed independent analysis of Project Area

Jerry Trimble, KMA

- Viability Study for the Continuation of USDRIP (November 2006)
 - Review Project Area Financial Viability
 - Review Market Opportunities
 - Develop Implementation Strategy and Recommendations of Project Area Management

Limitations

Redevelopment Plan was amended March 17, 1995 by Ordinance number 8508 to conform with technical limitations set by passage of AB 1290, such as:

- Plan expiration – July 18, 2029
- Incurring debt – July 18, 2009
- Repayment of indebtedness – July 18, 2039
- Use of eminent domain until – July 18, 2001

Elimination of Debt Incurrence Time Limit

- Approaching July 18, 2009 time limit on establishing debt
- October 2001, SB 211 signed to allow pre-1994 project areas to repeal the time limit for making loans and establishing debt
- Health and Safety Code amended to allow RDA to eliminate the time limit on establishment of loans, advances, and indebtedness
- Project Area required to make statutory pass-through payments to affected taxing entities and remain in effect and no further statutory pass-through is required
- After January 18, 2009 debt limit has reached, RDA may not enter into new loans or incur new indebtedness

Comparison of Status Quo and No Project Tax Increment Projections

- Project Area would have been eligible to receive \$1.38 M in tax increment in FY 06-07
- Actual FY 06-07 allocation will be zero since Project Area has reported no indebtedness
- \$1.38 M is now regular property and being allocated to various Taxing Agencies

Comparison of Status Quo and No Project Tax Increment Projections (Cont'd.)

- By dissolving the Project Area, the County could gain \$20.3 M in property tax revenue, but will forfeit \$80 M in tax increment and housing revenue (projected revenues shown in nominal totals from FY 06-07 to FY 39-40)
- Projections end in FY 39-40 because this is the final year the Project Area would have been eligible to collect tax Increment

Comparison of Status Quo and No Project Tax Increment Projections (Cont'd.)

(\$Millions)

	<u>Status Quo</u>	<u>No Project</u>	<u>Difference</u>
<u>Tax Increment</u>			
RDA Net Tax Increment	\$59.8	\$0.0	(\$59.8)
RDA Housing Set Aside	<u>\$20.3</u>	<u>\$0.0</u>	<u>(\$20.3)</u>
Total Tax Increment	\$80.1	\$0.0	(\$80.1)
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<u>Allocation to Taxing Agencies</u>			
County General Fund, Library & Flood	\$3.5	\$23.8	\$20.3
Schools	\$25.2	\$60.2	\$35.0
Fire Protection	\$3.6	\$23.8	\$20.2
Other Agencies	<u>\$0.8</u>	<u>\$5.4</u>	<u>\$4.6</u>
Total Allocations to Taxing Agencies	\$33.1	\$113.2	\$80.1

Recommendations

- Elimination of debt incurrence time limit (SB 211)
 - Amend the Plan to eliminate the debt incurrence time limit by summary
- Extend the Plan time limits (SB 1045 & SB 1096)
 - Amend the Plan to extend the effectiveness time limit and the time limit to receive tax increment revenues
- Commit to project staffing
 - RDA should staff Project Area with full time project manager and a support staff
- Establish program priorities
 - RDA should prioritize the proposed programs that should be implemented over the next 3-5 years

Recommendations (Cont'd.)

- Amend the draft implementation plan
- Adjust the Project Area budget
 - A FY 2006-07 budget that represents a minimal funding level until a decision is made
- Incur new indebtedness
 - RDA should establish indebtedness secured by tax increment revenues of the Project Area
- Identify new indebtedness in the statement of indebtedness
 - RDA should be prepared to submit a Statement of Indebtedness that reflects all new indebtedness and obligations of the Project Area

Market Opportunities

- Retail: Unlikely development due to site requirements and Transportation Impact Fee (TIF)
- Office: Unlikely development due to lack of recognition of area as office node
- Industrial: Most viable land use due to strong demand and availability of industrial land
- Residential: Slow housing market and impact of TIF may delay development
- TIF is not material impact for industrial and residential

Impact of TIF

- Industrial development: No immediate impact (\$3.79/SF)
- Commercial Retail: Hard impact (\$43.90/SF) – would be major obstacle for development to occur
- Commercial Office: Hard impact (\$9.43/SF) – would be major obstacle for development to occur
- Residential development: Depending on market, could be minor or major impact (\$4,878 per DU)

Potential Development Opportunities and Directions

- Design and budget for completion of list of improvements
- Additional residential development at west end of Project Area
- Plan, design, and construction of the proposed park

Potential Development Opportunities and Directions (Cont'd.)

- Reduction of negative development/sales impacts
 - Discussions with owner of the egg farm
 - Screening or walls constructed around existing egg farm
 - Acquisition of the egg farm property
 - Moving egg farm to another site at Agency's cost
 - Develop affordable housing with Agency assistance
 - Rehabilitate and modernize Elm Gardens mobile home park

Implementation Options

Determine cost, financing approaches, scheduling, and phasing of development

- Determine potential development activities to be pursued
- Estimate County staff time costs & consultant costs
- Estimate all project costs, direct, & indirect
- Establish project schedule of activities
- Initial financing: loan or advance from County General Fund
- Alternate funding approach to utilize proceeds of a Tax Allocation Bond
- Agency to establish sufficient debt
- Seek & maintain community support
- Proceed to inform community advisory committee and the County